

**MASSACHUSETTS**

Public Employee Retirement Administration Commission

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**M E M O R A N D U M**

**TO:** All Retirement Boards

**FROM:** Joseph E. Connarton, Executive Director

**RE:** Pre-Tax Status of Elective Buy-Backs

**DATE:** March 19, 2001

At its meeting on February 21, 2001, the Commission voted to seek a ruling from the Internal Revenue Service that would allow payments for elective buy-backs of creditable service to be pre-tax for federal income tax purposes.

As you may recall, in 1988 an amendment to G.L. c. 32, § 22 allowed mandatory contributions to retirement systems to be made on a pre-tax basis. The Internal Revenue Service issued a ruling with respect to these contributions in 1988. The Teachers' Retirement System and the Boston Retirement System recently received rulings from the IRS dealing with elective contributions to those two systems. The letters received by the two Boards specifically state that the ruling is directed only to the Boards that requested it and may not be used or cited by others as precedent.

The Commission will move as quickly as possible in this regard, but please be advised that the response IRS letter ruling may not be issued for some months. We will advise as soon as the IRS approves the change in status of elective buy-backs. If you have questions, please feel free to contact this office.